

Bruce A Cain
President/Xcel Mold and Machine Inc.
Before the U.S.-China Economic and Security Review Commission
Hearing on U.S.-China Trade and Investment: Impact on Key Manufacturing and Industrial
Sectors
September 23, 2004

I would like to thank the Commission for inviting me here to testify on behalf of my partners, our company and most importantly our employees. Xcel Mold has been in business since 1956 of which I have been involved for 34 years. Xcel builds molds and dies for the lighting, automotive, small appliance and household product industries. At the present time eleven of our employees have more years of service than I do and the average tenure of Xcel employees is over 25 years. On August 6, 2004 we had to layoff ten of our 53 employees due to lack of work. That kind of day is always hard on all the employees because our tenure is so high and you see your friends walk out the door. Although we had to layoff, I think our work situation will improve in the last quarter of this year.

Over the last six years we have spent \$1.75 million on machinery. We have purchased some of the machinery at the expense of other shops that have gone out of business. We purchased a machine that was three years old at auction for \$40,000 which would have cost \$270,000 new. I was so excited that day but then I looked around and I was standing in a building where 100 people used to work. In our business you have to keep buying machines that can go faster so you can shorten your deliveries. A mold that we used to build in 18 weeks now has a delivery of 10-12 weeks. Along with being quicker on deliveries, we have to be cheaper but we can not match China's prices. We build a good quality mold, better than one from China and in the same time frame. The issue comes down to price. China, having an unfair advantage because they refuse to float their currency will continue to drive companies like ours out of business.

On May 1, 2003, I was invited by Congressman Ralph Regula to testify before the Commerce, Justice, State, and Judiciary Committee in which I testified on May 22, 2003. The hearing was about trade with China and how it was affecting business. I started saving auction flyers of companies in the metal working industries on May 1, 2003 and on May 22, 2003 I gave the committee 11 flyers. Since then I have continued to save auction flyers and on August 1, 2003 I sent 29 to Congressman Regula, gave 45 to Grant Aldonas at Congressman Regula's office on November 12, 2003, mailed 16 to Senator Voinovich on December 16, 2003, mailed 29 to Congressman Regula on March 30, 2004, gave 22 to Congressman Sherrod Brown at a small business forum in Washington on June 17, 2003 and I have brought 28 here with me today. The total comes to 180 companies going out of business in the last 510 days which is one company going out of business every 3 days. Most of the flyers we receive are from an 8-10 state area around Ohio. I know this area is more industrialized than other parts of the country but if you multiply 180 by 3 that would probably be the amount of companies nationwide that have closed. In Stark County alone we have lost 3,500 jobs in the past three years according to Congressman Regula office. On Thursdays in our local paper, The Canton Repository, there are 6-8 pages of sheriff sales of homes in Stark County.

From 1988 to 1998, 35% of our business was done with Black and Decker. In 1997 we did 1.7 million with Black and Decker; last year we did \$23,000. Almost all these molds are being built in China. Another one of our customers sent 40 molds to China in June. That amount of work would have kept five shops busy for 2-3 months. Last year we quoted against China and Korea for a 24 mold package for this same customer. Our price was \$2,068,000; Korea was \$1,620,000 and China was 1,440,000. When shipping is added our price and the Korean price end up close but China was cheaper. Everything I've read says China's currency is 40% undervalued; therefore if you add 40% to China's price the cost would have been \$2,016,000. If our government would put a 50% tariff on all products coming from China to force them to float their currency our economy would be fine. When I talked to a Representative from the Commerce Department, he said that would ruin China's economy. What is it doing to our economy?

When products are brought in our country the tariff is 3.31%. To send products to China there is a 12% tariff and a value added tax of 17%. I think there should be reciprocating tariffs with each country we deal with to ensure there is free and fair trade. China is the most flagrant but every country in Asia bends or disregards the rules of the WTO. Korea sends over 600,000 cars here a year, we are allowed to send 2,800 cars a year to them. Japan has a 400% tariff on imported rice. These are just two examples of how our government views free trade. When a country adds tariffs or limits the number of products we can export to them, this is against the rules of the WTO.

With the monetary issues, the high tariffs and the limiting of our products to other countries, I do not see manufacturing returning to the way it once was. We need to overhaul our trade policies to bring manufacturing back. Multinational companies enjoy our trade policies as they are but small to medium sized manufacturing companies are at a real disadvantage. Fifty percent of all exports in China are made by foreign-invested manufacturers, which are our own companies such as IBM, Black and Decker, and Motorola. I have read that 60% of all products consumed in the world are consumed in the United States, so why do we let these countries and our own companies ruin our economy?

When I testified in Washington on May 22, 2003 I did a survey of area shops to get their opinion on our industries changes from 1996-2002 that I would like to share with you (see footnote 1). Two of these businesses have gone out of business because they could not compete.

In my opinion the only way to save manufacturing is to make everyone abide by the WTO rules. This does not mean I think we should be protected, but it should be fair. China knows if they can keep their monetary situation the same more and more businesses will not be able to survive. Our trade policies must be changed to stop the exporting of America and be a Government of the People not the CEO's. There are 23 million small businesses in the country which represents 99% of all employers and we still listen to the voices of Big Business. If you have any questions, I would be glad to answer them at this time. Thank You.

Footnote 1:

May 8, 2003

Almost two years ago, we conducted a survey of area shops, in which you all participated. Shortly after, a meeting was held at Xcel Mold where the following people were present:

Bruce Cain	Xcel Mold and Machine Inc.
Corkey Keeler	Ferriot Inc
Steve Schler	Promold
Steve Paquette	Stark Regional Development Board
Bob Algera	Akron Regional Development Board
John Appledorn	Akron Regional Development Board
Robert Mullen	Representative from Rep. Regula's Office
Chris Sinagra	Representative from Mike Dewine's Office
Bill Richards	Formerly of Tenibac-Graphion
Donald Loepp	Plastics News
Angie DeRosa	Plastics News

A month after the meeting, I met with Congressman Regula at his office. I found him to be most supportive of our situation. On May 1, I was contacted by his office and asked to consider testifying before the commerce committee of the House of Representatives in regards to the state of our industry. The tentative date is May 22, 2003. I would like you to fill out the attached survey to supply me with as much information as possible. Please return the survey by **May 15, 2003**. This will allow me the time to prepare all the data.

Obviously, I am not certain of the results, but at least the people in Washington are starting to pay attention to our industry's dilemma. The survey is being sent to the same companies as were previously involved and also the members of the AMBA-Ohio Chapter.

I would like to thank you for your help and cooperation. Hopefully, we can make a difference.

Sincerely,

Bruce A. Cain
Vice President, Manufacturing
Xcel Mold and Machine Inc

COMPANY NAME: _____

NAME: _____

The following results are from 12 companies surveyed:

1. Number of Employees:

1996 _____ 2000 _____ 2002 down 36%

2. Average hours worked per week.

1996 _____ 2000 _____ 2002 down 18%

3. Average Backlog of work in weeks.

1996 15 weeks 2000 _____ 2002 7 weeks

4. Total federal taxes paid including social security by employer and employee.

1996 _____ 2000 _____ 2002 down 24%

5. Workload projection for 2003.

0 Excellent 3 Good 5 Fair 4 Poor

6. If your business is not doing well, what is the largest contributor.

4 a. Economy

2 b. Particular customers are slow

11 c. Imports

3 d. Other

1 e. Lack of support by U.S. Government

7. What do you feel the government should do to help the tooling industry.

- 3 a. Lower or no interest rate loans for new equipment.
- 4 b. Tax incentives
- 6 c. Tariffs on imports
- 10 d. Tax incentives for corporations not to go offshore

8. If imported molds are a major threat to your business, what countries are affecting it the most.

- 7 a. Canada 3 b. Portugal 1 c. Japan 12 d. China
- 5 e. S. Korea 2 f. Taiwan 0 g. not affected

9. If you designed and built a mold or die in 1996 for \$50,000, what would you quote today. \$44,750.00

10. What has your company done to compete with domestic and imported molds.

- 1. Automate wherever possible (buy machinery).
- 2. Cut back labor. Run multiple machines with one operator or run machinery at night with no operator.
- 3. Lowered benefits to employees.
- 4. Developed alliance with Asian tool builders.

Please add any additional comments:

- 1. Allow grants to businesses to upgrade facilities and equipment. It would improve companies and stimulate investment now.
- 2. Made in the USA is becoming a "thing" of the past. We need help from our government.
- 3. U.S. companies have to deal with rising health care costs, OSHA and EPA.